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Instructions for Form 7206

Self-Employed Health Insurance Deduction

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Form 7206 and its instructions, such as legislation enacted after they were published, go to [IRS.gov/Form7206](https://www.irs.gov/Form7206).

What's New

This form and its separate instructions have replaced the Self-Employed Health Insurance Deduction Worksheet that was previously published as a worksheet in Pub. 535, Business Expenses. Use this form and its instructions to determine any amount of the self-employed health insurance deduction you may be able to claim and report on Schedule 1 (Form 1040), line 17.

General Instructions

Purpose of Form

Use Form 7206 to determine any amount of the self-employed health insurance deduction you may be able to report on Schedule 1 (Form 1040), line 17.

You may be able to deduct the amount you paid for medical and dental insurance and qualified long-term care insurance for yourself, your spouse, and your dependents.

The health insurance can cover your child who was under age 27 at the end of 2023, even if the child wasn't your dependent. A child includes your son, daughter, stepchild, adopted child, or foster child. A foster child is any child placed with you by an authorized placement agency or by judgment, decree, or other order of any court of competent jurisdiction.



Members of clergy, see Health Insurance Costs of Self-Employed Ministers in Pub. 517 for special rules regarding these costs.

Additional information. One of the following statements must be true.

- You were self-employed and had a net profit for the year reported on Schedule C (Form 1040) or Schedule F (Form 1040).
- You were a partner with net earnings from self-employment for the year reported on Schedule K-1 (Form 1065), box 14, code A.
- You used one of the optional methods to figure your net earnings from self-employment on Schedule SE.
- You received wages in 2023 from an S corporation in which you were a more-than-2% shareholder. Health insurance premiums paid or reimbursed by the S corporation are shown as wages on Form W-2.

The insurance plan must be established, or considered to be established, as discussed in the following bullets, under your business.

- For self-employed individuals filing a Schedule C (Form 1040) or Schedule F (Form 1040), a policy can be either in the name of the business or in the name of the individual.
- For partners, a policy can be either in the name of the partnership or in the name of the partner. You can either pay the

premiums yourself or the partnership can pay them and report the premium amounts on Schedule K-1 (Form 1065) as guaranteed payments to be included in your gross income. However, if the policy is in your name and you pay the premiums yourself, the partnership must reimburse you and report the premium amounts on Schedule K-1 (Form 1065) as guaranteed payments to be included in your gross income. Otherwise, the insurance plan won't be considered to be established under your business.

- For more-than-2% shareholders, a policy can be either in the name of the S corporation or in the name of the shareholder. You can either pay the premiums yourself or the S corporation can pay them and report the premium amounts on Form W-2 as wages to be included in your gross income. However, if the policy is in your name and you pay the premiums yourself, the S corporation must reimburse you and report the premium amounts in box 1 of Form W-2 as wages to be included in your gross income. Otherwise, the insurance plan won't be considered to be established under your business.

Medicare premiums you voluntarily pay to obtain insurance in your name that is similar to qualifying private health insurance can be used to figure the deduction. Amounts paid for health insurance coverage from retirement plan distributions that were nontaxable because you are a retired public safety officer can't be used to figure the deduction.

You can claim the deduction for self-employed health insurance on Schedule 1 (Form 1040), line 17.

Limitations. Generally, you may be able to deduct the total amount paid in 2023 for health insurance coverage established under your business (or the S corporation in which you were a more-than-2% shareholder) for 2023 for you, your spouse, and your dependents. Your insurance can also cover your child who was under age 27 at the end of 2023, even if the child was not your dependent. But **don't** include the following.

- Amounts for any month you were eligible to participate in a health plan subsidized by your employer or your spouse's employer or the employer of either your dependent or your child who was under the age of 27 at the end of 2023.
- If you are a retired public safety officer, amounts excluded from gross income, not to exceed \$3,000, if the amounts (1) were paid by your retirement plan directly to the insurer for qualified health insurance premiums or (2) received by you from that retirement plan and used to pay those premiums.

How to figure the deduction. Generally, you can use the worksheet in the Form 1040 instructions to figure your deduction. However, if any of the following apply, you must use Form 7206.

- You had more than one source of income subject to self-employment tax.
- You file Form 2555.
- You are using amounts paid for qualified long-term care insurance to figure the deduction.



See Pub. 974 if the insurance plan was considered to be established under your business and was obtained through the Marketplace, and advance payments of the premium tax credit were made or you are claiming the premium tax credit.

More than one health plan and business. If you have more than one health plan during the year and each plan is

established under a different business, you must use a separate Form 7206 to figure each plan's net earnings limit. Include the premium you paid under each plan on line 1 or line 2 of each Form 7206 and your net profit (or wages) from that business on line 4 (or line 11). For a plan that provides long-term care insurance, the total of the amounts entered for each person on line 2 of all Form(s) 7206 can't be more than the appropriate limit shown on line 2 for that person.

Qualified long-term care insurance. You can include premiums paid on a qualified long-term care insurance contract when figuring your deduction. But, for each person covered, you can include only the smaller of the following amounts.

1. The amount of premiums paid for that person.
2. The amount shown below. Use the person's age at the end of the tax year.
 - a. Age 40 or younger — \$480
 - b. Age 41 to 50 — \$890
 - c. Age 51 to 60 — \$1,790
 - d. Age 61 to 70 — \$4,770
 - e. Age 71 or older — \$5,960

Qualified long-term care insurance contract. A qualified long-term care insurance contract is an insurance contract that only provides coverage of qualified long-term care services. The contract must meet all the following requirements.

- It must be guaranteed renewable.
- It must provide that refunds, other than refunds on the death of the insured or complete surrender or cancellation of the contract, and dividends under the contract may be used only to reduce future premiums or increase future benefits.
- It must not provide for a cash surrender value or other money that can be paid, assigned, pledged, or borrowed.
- It must generally not pay or reimburse expenses incurred for services or items that would be reimbursed under Medicare, except where Medicare is a secondary payer or the contract makes per diem or other periodic payments without regard to expenses.

Qualified long-term care services. Qualified long-term care services are:

- Necessary diagnostic, preventive, therapeutic, curing, treating, mitigating, and rehabilitative services; and
- Maintenance or personal care services.

The services must be required by a chronically ill individual and prescribed by a licensed health care practitioner.

Chronically ill individual. A chronically ill individual is a person who has been certified as one of the following.

- An individual who has been unable, due to loss of functional capacity for at least 90 days, to perform at least two activities of daily living without substantial assistance from another individual. Activities of daily living are eating, toileting, transferring (general mobility), bathing, dressing, and continence.
- An individual who requires substantial supervision to be protected from threats to health and safety due to severe cognitive impairment.



The certification must have been made by a licensed health care practitioner within the previous 12 months.

Benefits received. For information on excluding benefits you receive from a long-term care contract from gross income, see Pub. 525.

Other coverage. You can't take the deduction for any month you were eligible to participate in any employer (including your spouse's) subsidized health plan at any time during that month, even if you didn't actually participate. In addition, if you were eligible for any month or part of a month to participate in any subsidized health plan maintained by the employer of either your dependent or your child who was under age 27 at the end of 2023, don't use amounts paid for coverage for that month to figure the deduction.

These rules are applied separately to plans that provide long-term care insurance and plans that don't provide long-term care insurance. However, any medical insurance payments not deductible on Schedule 1 (Form 1040), line 17, can be included as medical expenses on Schedule A (Form 1040) if you itemize deductions.

Effect on itemized deductions. Subtract the health insurance deduction from your medical insurance when figuring medical expenses on Schedule A (Form 1040) if you itemize deductions.

Effect on self-employment tax. You can't subtract the self-employed health insurance deduction when figuring net earnings for your self-employment tax from the business under which the insurance plan is established, or considered to be established, as discussed earlier. For more information, see Schedule SE (Form 1040).



You can generally deduct premiums you pay for certain kinds of insurance related to your trade or business as an expense. See the instructions for your trade or business return.